

**A RENTAL HOUSING
MARKET STUDY FOR
Mountain City, Georgia
*Sequoyah Village Apartments***

June 19, 2002

Prepared for:

**Georgia Department of Community Affairs
The Georgia Housing & Finance Authority
60 Executive Park South NE
Atlanta, GA 30329**

Prepared by:

**Community Research Group, LLC
2380 Science Parkway
Suite 104
Okemos, MI 48864
(517) 347-3253**

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**CONSULTANT CERTIFICATION/
CERTIFICATE OF ACCURACY**

I hereby attest that this market study has been completed by an independent third party market consultant with no fees received contingent upon the funding of this proposal. Furthermore, information contained within the following report obtained through other sources is considered to be trustworthy. However, Community Research Group does not guarantee the data nor assumes any liability for any errors in fact, analysis, or judgment.

Furthermore, the following report was written according to DCA's market study requirements, and that the information included is accurate to the best of our knowledge, and that the report can be relied upon by representatives of DCA as a true assessment of the low-income housing rental market.



Steven R. Shaw
COMMUNITY RESEARCH GROUP, LLC

Date: June 19, 2002

Section 1: INTRODUCTION

The Georgia Department of Community Affairs (DCA) has commissioned Community Research Group, LLC to prepare the following market study to examine and analyze the town of Mountain City and the surrounding area as it pertains to the new construction of a tax credit/market rate rental development. The subject proposal, to be named Sequoyah Village Apartments, is to be located along Marsen Knob Drive, just west of U.S. 441/23, and approximately ¼ mile south of Wolf Fork Road. Primary access to the site will be from Marsen Knob Road, a rarely traveled dead-end road approximately ½ mile in length. The property is situated on the northern perimeter of Mountain City in a predominately rural area with a mix of single-family homes and undeveloped property.

This study assumes Low Income Housing Tax Credits will be utilized in the development of a portion of the proposed rental facility, along with the associated rent and income restrictions obtained from HUD and the Georgia DCA. As a result, Sequoyah Village will feature units targeted at a variety of income levels: 5 units (8 percent of all units) will be restricted at 30 percent of the area median income (AMI), 34 units (53 percent) will be restricted at 50 percent of AMI, 18 units (28 percent) will be restricted at 60 percent AMI, and the remaining 7 units (11 percent) will be unrestricted (market rate).

The primary purpose of the following market analysis is to provide evidence whether or not sufficient market depth and demand exists for the successful development of the subject proposal. This will be demonstrated through an in-depth analysis of local and regional demographic and income trends, economic and employment patterns, existing housing conditions, as well as a supply and demand analysis within the Mountain City rental market area. A phone survey of existing rental projects comparable to the subject within the area was also reviewed and analyzed to further measure the potential market depth for the subject proposal.

Section 2: EXECUTIVE SUMMARY

The following overview highlights the major findings and conclusions reached from information collected through demographic analysis, economic observations, and survey research of existing developments:

- Based on the information collected within this study, sufficient evidence has been introduced for the successful development and absorption of the subject proposal within the Mountain City market area. Strong economic trends for the market area, positive demographic patterns, limited three and four-bedroom rental options, and a solid statistical demand all support the introduction of additional rental housing alternatives targeted for low and moderate-income singles and families. **Therefore, CRG forwards a PASS conclusion.**
- Current economic conditions locally are somewhat positive. As of April 2002, the unemployment rate for Rabun County was reported at 2.7 percent, as compared to an unemployment figure of 3.5 percent a year earlier in April 2001. In comparison, the most recent statewide unemployment rate was 4.2 percent.
- The absorption rate is calculated at approximately seven to nine units per month, on average, resulting in an overall absorption period of eight months.
- The proposed rental rates are affordable and competitive with the overall market. Rents for the subject are either at or below most existing rental options in the PMA. In addition, the three and four-bedroom units should prove to be popular, as the only larger units within the market are in Public Housing developments.
- The proposed amenity package is competitive, and in most cases superior, to other developments throughout the market area. The subject contains every major amenity within competitive developments, as well as numerous modern amenities that are simply not available within the local rental market. These include clubhouse, dishwasher, exercise room, garbage disposal, and walk-in closet, giving the subject a distinct competitive advantage.
- Demand estimates for the proposed development show statistical support for the introduction of additional rental units within the Mountain City PMA. More than 31 percent of all households are income-qualified, resulting in an overall capture rate of 19.5 percent. Similarly, capture rates by unit size range between 5.5 percent and 19.6 percent, all within the acceptable 30 percent threshold.
- Occupancy levels discovered during our survey do not reveal the true strength of the overall rental market within the Mountain City PMA. Although all four subsidized facilities reported to be fully occupied at the time of the survey, 20 out of the 113 market rate units were reported to be vacant, resulting in an occupancy rate of just 82 percent for market rate units. Combining all seven developments, the overall occupancy rate for the Mountain City PMA was calculated at 92 percent. Based on previous market information, as well as discussions with persons within the community, occupancy rates are likely higher.

Section 3: PROJECT DESCRIPTION

The analysis presented within this report is based on the following development configuration and assumptions:

Project Size:

Total Development Size.....	64 units
Number of LIHTC Units.....	57 units
Number of Market Rate Units.....	7 units

Development Characteristics:

- Seven buildings (six residential);
- Configuration of each residential building is a 2-story walk-up;
- Eight units will be handicapped accessible;
- Two units will be reserved for visually or hearing impaired tenants.

Income Targeting:

30 percent of AMI.....	5 units
50 percent of AMI.....	34 units
60 percent of AMI.....	18 units
Market Rate.....	7 units

Project Mix:

	<u>LIHTC</u>	<u>Market</u>	<u>Total</u>
Two-bedroom/2-bath units.....	26	0	26 units
Three-bedroom/2-bath units.....	23	7	30 units
Four-bedroom/2-bath units	8	0	8 units

Square Feet:

Two-bedroom units	878 square feet
Three-bedroom units	1,104 square feet
Four-bedroom units.....	1,372 square feet

Rental Rates: *(Proposed contract rents net of utility allowance)*

- **Two-bedroom units:**

30 percent of AMI.....	\$178
50 percent of AMI.....	\$359
- **Three-bedroom units:**

50 percent of AMI.....	\$406
60 percent of AMI.....	\$510
Market Rate.....	\$610
- **Four-bedroom units:**

50 percent of AMI.....	\$436
60 percent of AMI.....	\$552

Unit Amenities*:

- Full kitchen, with refrigerator, stove, dishwasher, and disposal;
- Central heat and air conditioning;
- Window coverings for all windows;
- Washer/dryer hook-ups within all units;
- Walk-in closets;
- Patio/porch with each unit.

Development Amenities*:

- Community building with covered porch;
- Exercise/fitness room;
- Equipped recreation area;
- On-site laundry room;
- Covered picnic pavilion, with picnic areas and grills;
- Children's tot lot;
- On-site manager;
- Part-time social services employee;
- Additional services to include after-school enrichment program for children, financial and budgeting seminars for adults, and preventive healthcare programs for families.

Additional Assumptions:

- Only trash removal will be included within the rent. Tenant is responsible for electricity (including electric heat pump), water/sewer, cable television, and telephone charges.
- The development will be constructed in one phase;
- A professional management company with experience in LIHTC rental housing will be contracted to operate the facility, with pre-leasing activities beginning as soon as possible.

*Based on project information provided by DCA.

PROPOSED UNIT CONFIGURATION STRUCTURE:

PROJECT NAME:Sequoyah Village Apartments

ADDRESS:.....Marsen Knob Drive

LOCATION:Mountain City, Georgia

TOTAL UNITS:64

OCCUPANCY:FAMILY

CONSTRUCTION:.....NEW

PROJECTED PLACED IN SERVICE:December 1, 2003

TARGETED INCOMES:\$9,260 to \$29,375 (based on 30 to 60 percent of AMI*)
.....\$29,000 to \$50,000 (based on market rents)

	# Units	Unit Mix	# Baths	Square Feet	Contract Rent	Gross Rent	Max LIHTC Rent*	Utility Allow.
2 Bedroom Apartment Units								
	5	30 percent of AMI	2	878	\$178	\$270	\$285	\$92
	21	50 percent of AMI	2	878	\$359	\$451	\$475	\$92
3 Bedroom Apartment Units								
	6	50 percent of AMI	2	1,104	\$406	\$521	\$549	\$115
	17	60 percent of AMI	2	1,104	\$510	\$625	\$658	\$115
	7	Market Rate	2	1,104	\$610	---	---	---
4 Bedroom Apartment Units								
	7	50 percent of AMI	2	1,372	\$436	\$581	\$612	\$145
	1	60 percent of AMI	2	1,372	\$552	\$697	\$734	\$145

*Based on 2002 LIHTC maximum income and gross rent limits for the statewide median (\$42,200).

Section 4: SITE AND MARKET PROFILE

Site Characteristics

The proposed Sequoyah Village rental development is located just off of U.S. 23/441 along Marsen Knob Drive, within the northern perimeter of the town of Mountain City. The immediate area contains predominately rural characteristics consisting of undeveloped wooded property for the most part, with agricultural land and light commercial activity north of the site along U.S. 23/441, and scattered single-family residences along this corridor south of the site. Marsen Knob Drive is a paved dead-end street approximately ½ mile in length winding up a fairly steep slope. Adjacent property is primarily vacant wooded land along with a few single-family homes in good condition. The total size of the property is 6.97 acres, consisting of vacant, wooded, sloping land within Census Tract 9701 of Rabun County. Adjacent land usages are as follows:

North: Single-family home; vacant wooded property
South: Single-family homes; vacant wooded property
East: Vacant wooded property; U.S. 23/441
West: Vacant wooded property

Neighboring the project are large tracts of vacant land which will be difficult to develop due to topography and forest cover. In addition, a few single-family homes are located close to the subject. All necessary utilities are available at the site, according to the core application submitted by the developer. The site is located in a very scenic mountainous area with visibility from a major thoroughfare which would undoubtedly aid in marketing efforts.

Since the subject is in a rural area, there are no substantial amenities nearby or within walking distance. The nearest major retail area is in Clayton, approximately three miles south of the subject. A large number of restaurants, schools, banks, department stores, grocers and pharmacies are located here, including the following:

- | | | |
|-------------------|------------------------|--------------------------|
| ➤ Ingle's grocery | ➤ Circle K Food Mart | ➤ Community Bank & Trust |
| ➤ Huddle House | ➤ Taco Bell | ➤ Burger King |
| ➤ McDonalds | ➤ Day's Inn | ➤ Regions Bank |
| ➤ Dollar General | ➤ CVS/Pharmacy | ➤ Andy's Market |
| ➤ Bi-Lo grocery | ➤ Winn-Dixie | ➤ Family Dollar |
| ➤ Radio Shack | ➤ Habitat Thrift Store | ➤ KFC |

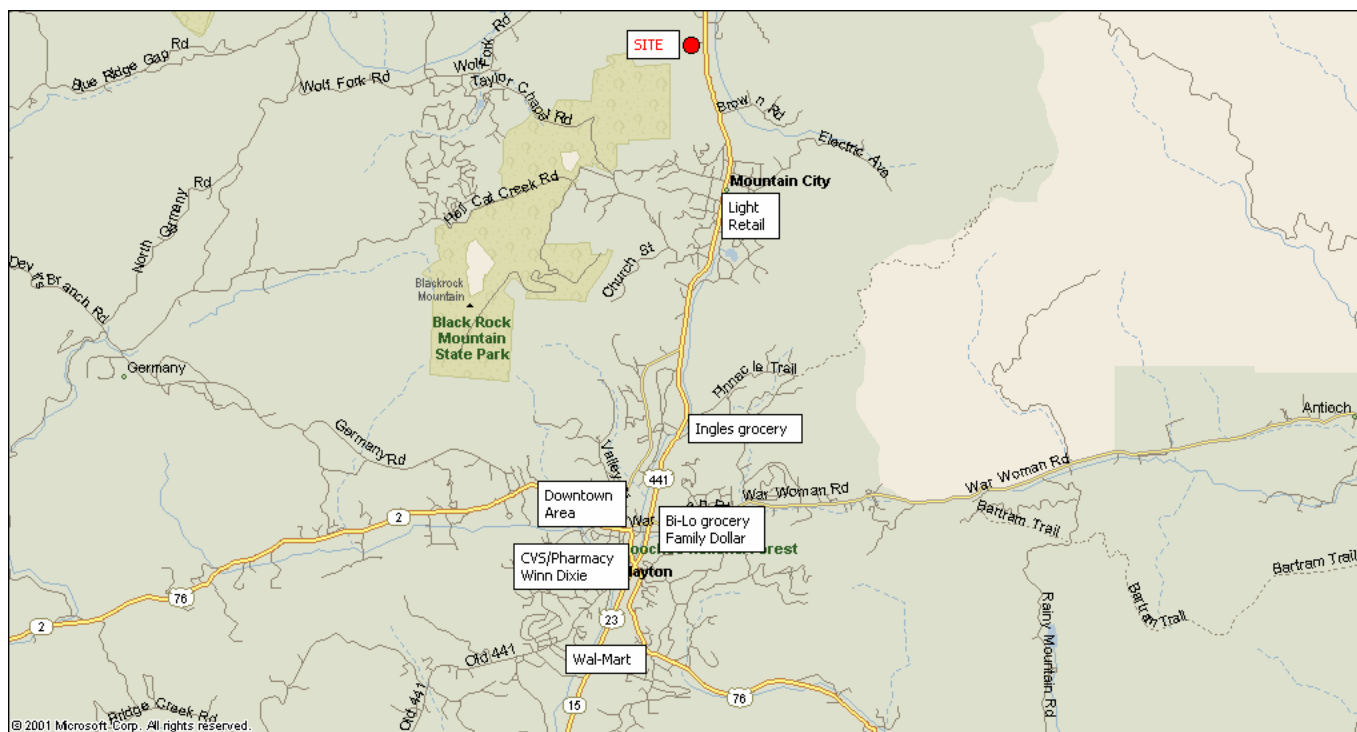
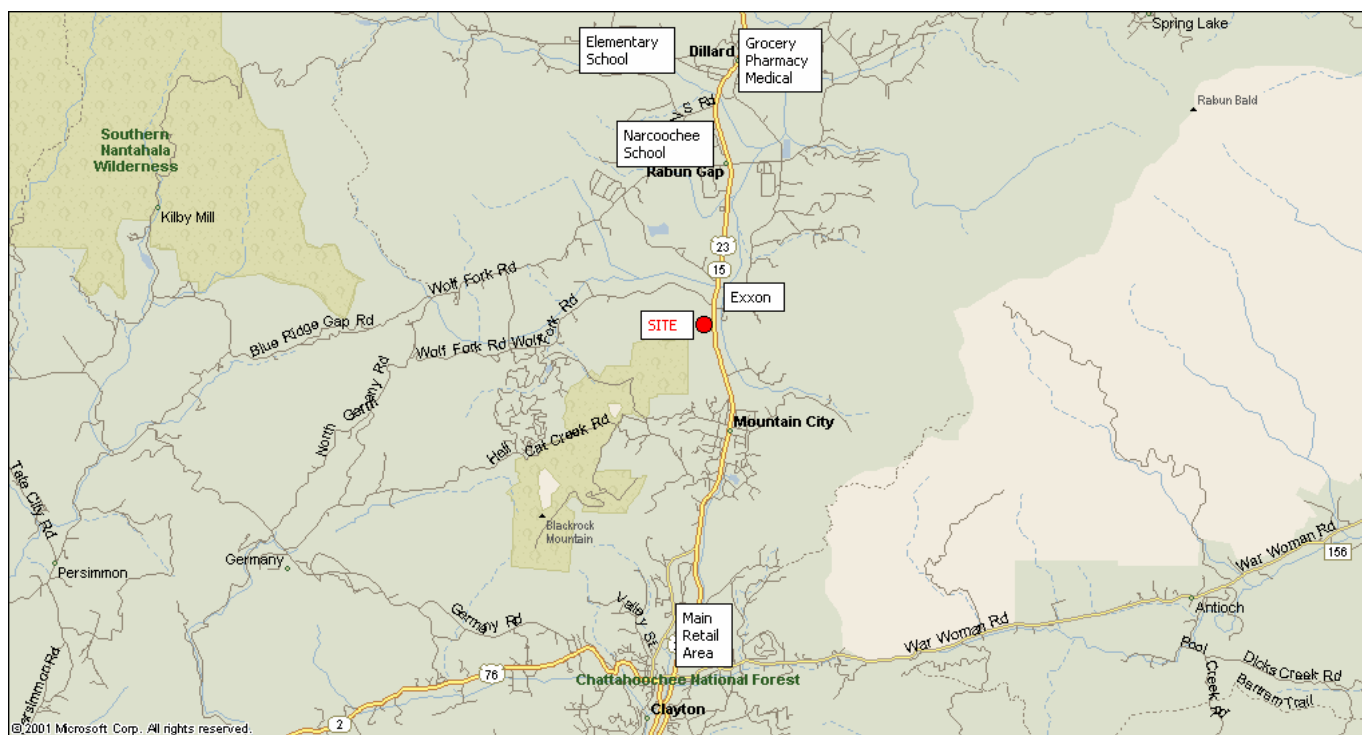
Downtown Clayton is located approximately 4½ miles from the site and offers numerous other retail venues, including several boutiques, galleries, and antique outlets. Additional retail opportunities, although limited, can be found approximately three miles north of the site in the community of Dillard. Among the establishments here include Piggly Wiggly grocery, Reeve's ACE Hardware, Valley Pharmacy, Video's Etc., Regions Bank, and numerous antique stores.

The Rabun County Memorial Hospital can be found along U.S. 76, just west of Clayton and approximately six miles from the subject property. Additional medical services for local residents are provided by Mountain Community Healthcare in Dillard, and Neighborhood Healthcare Center in Clayton – both situated roughly 4 miles from the site.

Rabun County Schools provide primary education opportunities for area residents, and is comprised of three elementary schools, one middle school, one high school, and two private preparatory schools. The nearest of these to the subject property include the Rabun Gap Community School (4 miles north) in Dillard, and the Rabun County Middle and High Schools (8 miles south) in Tiger.

In addition to these amenities, the site, as well as most of Rabun County, is located in the Chattahoochee National Forest portion of the Blue Ridge Mountains, which affords many recreational opportunities to area residents. These include the Black Rock Mountain State Park (located less than 2 miles west of the site), Chattooga Wild and Scenic River area in the eastern edge of the county, and the Appalachian Trail and Burton Reservoir in the western portion of Rabun County.

Map: Local Features/Amenities
Mountain City PMA



Site Photos

Site – off of Mason Knob Drive



Site – corner of Mason Knob Drive and U.S. 23/441 – facing northeast



North side of Mason Knob Drive



Single family home along Mason Knob Drive– facing west



Neighborhood Photos



View to the north, along U.S. 23/441. The rural, undeveloped character of the nearby land is evident.



View to the south of the subject, along U.S. 23/441. A number of single-family homes are located along the highway in this direction.



View to the east of the subject, across U.S. 23/441. Very pleasant and could be a great asset.

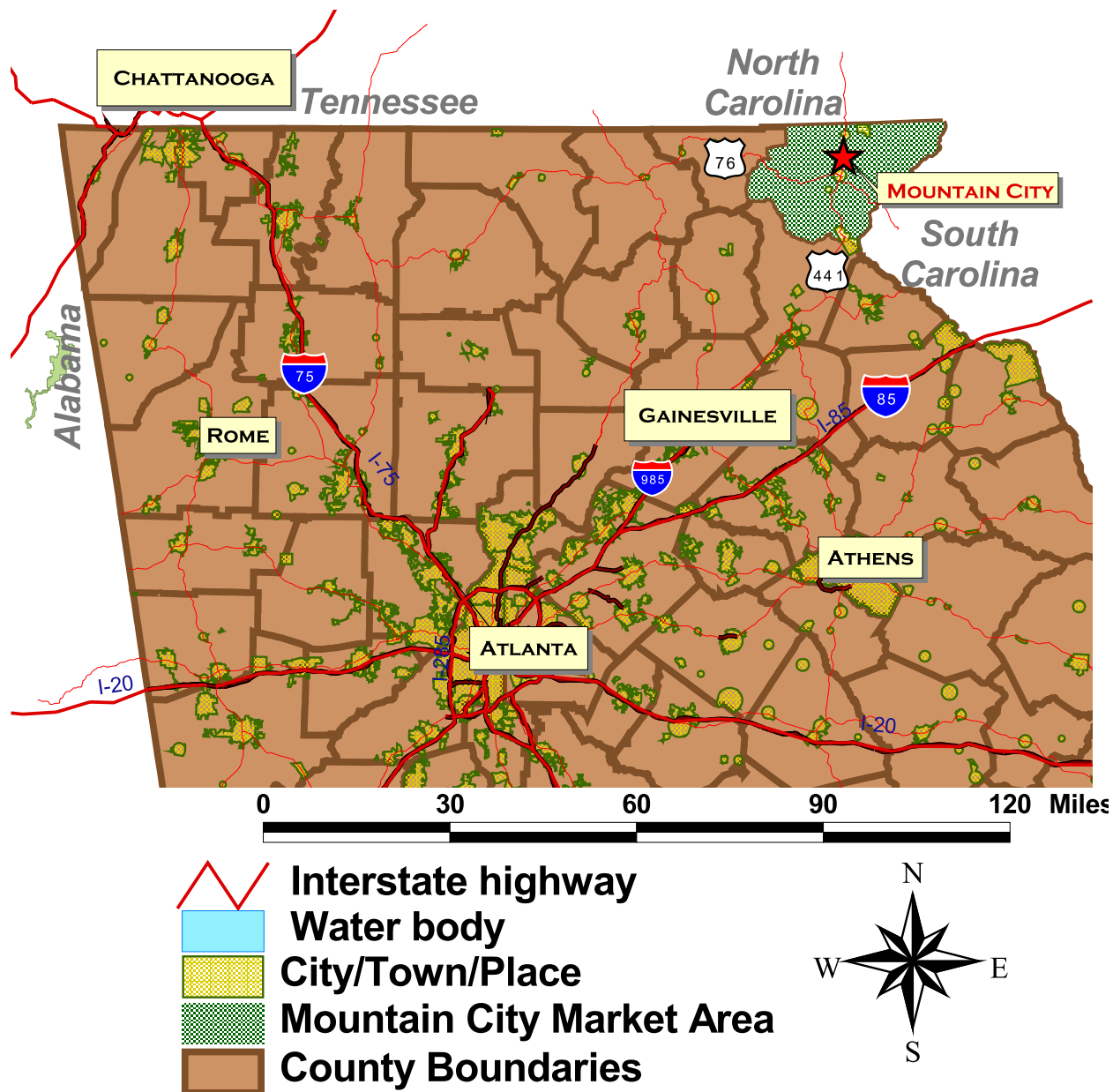
Primary and Secondary Market Area Delineation

The Mountain City Primary Market Area (PMA), as defined for the use throughout this study, consists of Rabun County in its entirety, including the communities of Mountain City (829 persons in 2000), Clayton (2,019 persons), Tiger (316 persons), Dillard (198 persons), and Sky Valley (221 persons). A visual representation of the PMA, and census tracts within the PMA, can be found in the maps on the following pages. The market area is located in the extreme northeast corner of the state of Georgia bordering North Carolina and South Carolina, and represents the area from which the majority of potential residents for the subject development currently reside.

With a relatively low population density, the presence of several key roadways (including U.S. 441/23 and U.S. 76) makes the use of the entire county as a market area appropriate. The following demographic and income information, comparables, and demand analysis are based on the PMA as defined above and outlined in the following maps. In addition, the town of Mountain City has also been used throughout the analysis for local comparisons.

When defining the primary market area, the local roadway infrastructure, commuting patterns, and other existing socio-economic conditions were utilized. U.S. 23/441 is the foremost transportation route through the county, connecting the communities of Clayton, Mountain City and Dillard. Farther to the south, U.S. 23/441 connects Rabun County with the larger city of Cornelia in Habersham County. Another major highway in Rabun County is U.S. 76, which travels east/west through the central section of the county and intersects U.S. 23/441 in Clayton.

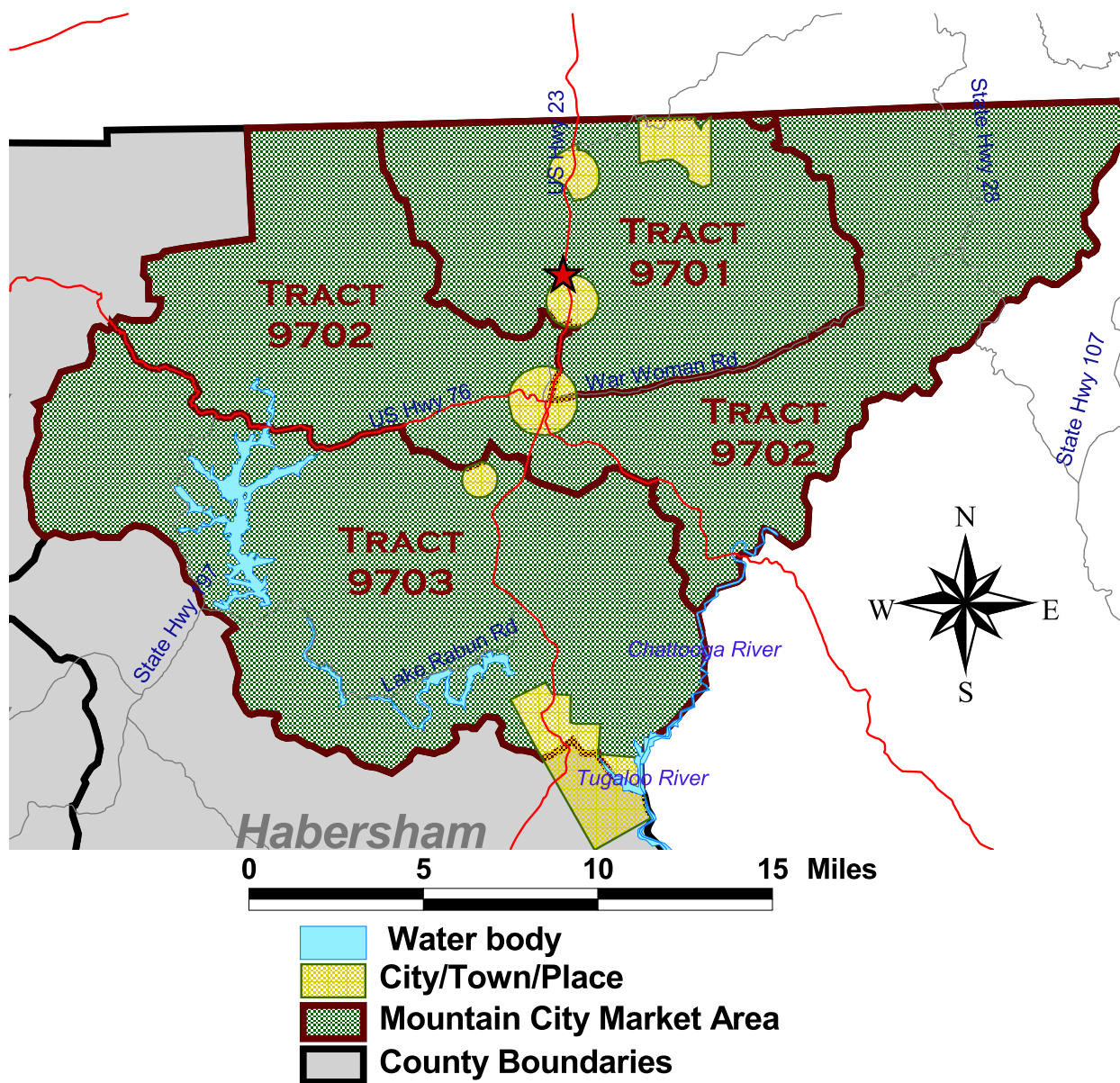
Map: Northern Georgia



Map: Primary Market Area
Mountain City PMA



Map: Census Tracts
Mountain City PMA



Section 5: COMMUNITY DEMOGRAPHIC DATA

Population Trends

Demographic patterns within Mountain City and Rabun County as a whole (which subsequently constitutes the PMA) exhibited strong growth patterns since 1980, and especially during the 1990's. According to 2000 Census data, the county had a population of 15,050 persons, representing a gain of 29 percent from the 1990 population count of 11,648 persons (a gain of more than 3,400 persons during the decade). In comparison, the town exhibited more modest growth patterns over the same period – increasing by 6 percent.

Future population projections provided by Claritas (a third-party demographic forecasting service) illustrate both the town and county will continue to gain in population through 2007. However, because Claritas has yet to update its database with new 2000 place delineations, the forecast figure for Mountain City may be inaccurate and somewhat inflated. However, forecasts for the county are realistic and should be given greater consideration as to future demographic patterns locally. As such, a population of 16,856 persons is projected for the county in 2007, representing an increase of 12 percent from 2000 (an additional 1,800 persons), demonstrating ongoing overall positive patterns.

Table 5.1: Population Trends (1980 to 2007)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
1980 Population	736	10,466
1990 Population	784	11,648
Percent Change (1980-1990)	6.5%	11.3%
2000 Population	829	15,050
Percent Change (1990-2000)	5.7%	29.2%
2002 Population Estimate	891	15,566
Percent Change (2000-2002)	7.4%	3.4%
2004 Population Forecast	952	16,082
Percent Change (2000-2004)	14.9%	6.9%
2007 Population Forecast	1,045	16,856
Percent Change (2000-2007)	26.0%	12.0%
SOURCE: 1980-2000 Census of Population and Housing, STF 1A/SF1, U.S. Census Bureau; Claritas, Inc.		

Persons between the ages of 20 and 44 will likely represent the majority of potential residents for the proposed rental facility, when considering the subject proposal's location and unit mix. As such, this key age segment was the largest population group in 2000 for both the town and county. For Mountain City, the 20 to 44 age segment accounted for 31 percent of the total population in 2000, while representing 30 percent of county residents. Between 1990 and 2000, this age group increased by 17 percent within Rabun County, while decreasing by 4 percent within Mountain City over the same time span.

Claritas forecasts indicate the 20 to 44 age segment will increase by 19 percent in Mountain City between 2000 and 2007, and 10 percent within Rabun County as a whole. In comparison, the 45 and over age groups (especially the 45 to 64 age cohort, which is comprised primarily of baby boomers) are expected to be the fastest growing age segments, demonstrating the aging shift of the population seen throughout much of the nation.

Table 5.2: Age Distribution (1990 to 2007)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
Age Less than 20 - 1990	198	2,883
Percent of total 1990 population	25.3%	24.8%
Age Between 20 and 44 - 1990	269	3,891
Percent of total 1990 population	34.3%	33.4%
Age Between 45 and 64 - 1990	162	2,759
Percent of total 1990 population	20.7%	23.7%
Age 65 and Over - 1990	155	2,115
Percent of total 1990 population	19.8%	18.2%
Age Less than 20 - 2000	213	3,618
Percent of total 2000 population	25.7%	24.0%
Percent change (1990 to 2000)	7.6%	25.5%
Age Between 20 and 44 - 2000	258	4,540
Percent of total 2000 population	31.1%	30.2%
Percent change (1990 to 2000)	-4.1%	16.7%
Age Between 45 and 64 - 2000	214	4,162
Percent of total 2000 population	25.8%	27.7%
Percent change (1990 to 2000)	32.1%	50.9%
Age 65 and Over - 2000	144	2,730
Percent of total 2000 population	17.4%	18.1%
Percent change (1990 to 2000)	-7.1%	29.1%
Age Less than 20 - 2007	265	3,773
Percent of total 2007 population	25.4%	22.4%
Percent change (2000 to 2007)	24.4%	4.3%
Age Between 20 and 44 - 2007	306	4,984
Percent of total 2007 population	29.3%	29.6%
Percent change (2000 to 2007)	18.7%	9.8%
Age Between 45 and 64 - 2007	305	5,000
Percent of total 2007 population	29.2%	29.7%
Percent change (2000 to 2007)	42.5%	20.1%
Age 65 and Over - 2007	169	3,098
Percent of total 2007 population	16.1%	18.4%
Percent change (2000 to 2007)	17.0%	13.5%
SOURCE: 1990-2000 Census of Population and Housing, STF 1A/SF1, U.S. Census Bureau; Claritas, Inc.		

Average household sizes throughout Rabun County have historically shown a shift toward smaller family sizes and an increasing percentage of elderly households – another effect of the aging of the baby boomer generation and consistent with national trends. However, household trends are forecast to increase in size between 2000 and 2007. For Mountain City, the average household size was 2.28 persons in 2000, representing a decrease of 8 percent from 1990's average of 2.47 persons. County figures follow the same patterns, although household sizes are generally larger (albeit slightly). Based on projections obtained from Claritas, average household sizes are forecast to increase by 4 percent between 2000 and 2007 for the town and remain fairly level for the county.

Table 5.3: Average Household Size (1980 to 2007)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
1980 Average Household Size	2.64	2.66
1990 Average Household Size	2.47	2.48
Percent Change (1980-1990)	-6.5%	-6.9%
2000 Average Household Size	2.28	2.35
Percent Change (1990-2000)	-7.6%	-5.0%
2002 Average Household Size Estimate	2.32	2.36
Percent Change (2000-2002)	1.4%	0.2%
2004 Average Household Size Forecast	2.34	2.36
Percent Change (2000-2004)	2.6%	0.3%
2007 Average Household Size Forecast	2.38	2.36
Percent Change (2000-2007)	4.3%	0.5%
SOURCE: 1980-2000 Census of Population and Housing, STF 1A/SF1, U.S. Census Bureau; Claritas, Inc.		

Household Trends

Consistent with population trends, Rabun County as a whole experienced strong household growth during the past decade, while the number of households within Mountain City increased at a more modest rate. According to 2000 Census data, households increased by 36 percent within the county during the 1990's, rising to an occupied household figure of 6,279 (an increase of nearly 1,650 households). Furthermore, household projections indicate that the county is expected to increase by an additional 12 percent (730 new households) through 2007.

Within Mountain City itself, the number of households increased by 15 percent between 1990 and 2000, while estimates indicate a projected gain of 21 percent between 2000 and 2007. Again, future gains within the town appear somewhat inflated, but the growth forecast for the county is encouraging.

Table 5.4: Household Trends (1980 to 2007)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
1980 Households	278	3,891
1990 Households	316	4,630
Percent Change (1980-1990)	13.7%	19.0%
2000 Households	363	6,279
Percent Change (1990-2000)	14.9%	35.6%
2002 Household Estimate	385	6,489
Percent Change (2000-2002)	6.0%	3.3%
2004 Household Forecast	406	6,698
Percent Change (2000-2004)	11.9%	6.7%
2007 Household Forecast	439	7,013
Percent Change (2000-2007)	20.9%	11.7%
SOURCE: 1980-2000 Census of Population and Housing, STF 1A/SF1, U.S. Census Bureau; Claritas, Inc.		

Growth rates for renter occupied households for both Mountain City and Rabun County were substantially higher when compared to gains experienced by overall households during the 1990's. In 2000, 1,287 renter-occupied households were reported within the PMA, representing an increase of 50 percent from 1990 figures (a gain of more than 425 renter households). In comparison, the number of renter households within Mountain City grew by 61 percent during the same time frame. This increase for the PMA is the result of several apartment developments constructed during the decade (including Brooks Lane Apartments, Laurel Fall Apartments, and Mountain View Apartments), as well as the conversion of older single-family and vacation homes to renter-occupied households.

Renter household propensities were similar within the two areas analyzed. For the county as a whole, the renter household percentage was calculated at 21 percent in 2000, while 23 percent of households within Mountain City were renter occupied. Both propensities are slightly higher when compared from a decade earlier

Table 5.5: Renter Household Trends (1990 to 2000)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
1990 Renter Households	51	858
Percent of total 1990 households	16.1%	18.5%
2000 Renter Households	82	1,287
Percent of total 2000 households	22.6%	20.5%
Percent change (1990 to 2000)	60.8%	50.0%
SOURCE: 1990 and 2000 Census of Population and Housing, STF 1A/SF1, U.S. Census Bureau		

Housing Stock Composition

Similar within both Mountain City and Rabun County as a whole, the majority of residents were housed in single-family structures in 2000. According to U.S. Census data, approximately 63 percent of all households within the town were single-family dwellings, while only 6 percent were in multi-family structures (apartments or condominiums). Mobile homes, trailers, and other arrangements represented the remaining 31 percent of the households within the town. For Rabun County, 77 percent of all housing units were single-family structures, and 7 percent were multi-family units. In addition, 16 percent of the county's housing stock in 2000 consisted of mobile homes, somewhat higher than the state average of 12 percent.

Table 5.6: Housing Stock Composition (2000)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
Single-Family	276	7,824
Percent of total structures	63.4%	76.6%
Multi-Family	25	730
Percent of total structures	5.7%	7.1%
2 to 4 units	22	246
Percent of total structures	5.1%	2.4%
5 or more units	3	484
Percent of total structures	0.7%	4.7%
Mobile Homes - Total	129	1,607
Percent of total structures	29.7%	15.7%
Other	5	49
Percent of total structures	1.1%	0.5%
SOURCE: Table DP-4 - U.S. Census Bureau, Census 2000, U.S. Census Bureau		

Median Gross Rent and Unit Size

The median gross rent within Mountain City was approximately 9 percent higher than that recorded for Rabun County. The median gross rent for the county was recorded at \$439 in 2000, according to information recently published by the U.S. Census. This figure represents an increase of 50 percent (4 percent annually) since 1990 for the county, while the town increased by 29 percent over the same time period (3 percent annually).

Table 5.7: Median Gross Rent (1990 to 2000)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
1990 Median Gross Rent	\$369	\$292
2000 Median Gross Rent	\$477	\$439
Total percent change (1990 to 2000)	29.3%	50.3%
Annual percent change (1990 to 2000)	2.6%	4.2%
SOURCE: 1990 and 2000 Census of Population and Housing, STF 3A/SF 3, U.S. Census Bureau; CRG		

As was the case with overall household sizes, the town has slightly smaller average renter household sizes when compared to Rabun County as a whole. Data collected from the U.S. Census Bureau on the rental unit size distribution reveals a relatively even mix within both areas. As such, one-person households accounted for the majority of all rental units within the county in 2000 at 36 percent, while two-person households represented 26 percent. Three and four-person households represented 28 percent of all renter households, and those households with five or more persons accounted for 10 percent of the PMA's rental household count.

With a relatively broad mix of rental households within Rabun County (60 percent two persons or less; 40 percent three persons or more), the subject proposal's mix of two, three, and four bedroom units is adequately positioned and consistent with characteristics of the existing rental market. The average persons per rental unit ratio was calculated at 2.39 persons for 2000, consistent to that recorded a decade earlier.

Table 5.8: Rental Unit Size Distribution (2000)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
One Person	26	467
Percent of total renter households	31.7%	36.3%
Two Persons	20	328
Percent of total renter households	24.4%	25.5%
Three or Four Persons	28	365
Percent of total renter households	34.1%	28.4%
Five or More Person	8	127
Percent of total renter households	9.8%	9.9%
Median Persons Per Rental Unit - 1990	2.25	2.40
Median Persons Per Rental Unit - 2000	2.52	2.39
SOURCE: 1990 and 2000 Census of Population and Housing, SF1, U.S. Census Bureau		

Economic and Social Characteristics

Mountain City's economy is relatively diverse. Based on recently released 2000 Census data, the area had relatively high concentrations of employment based in the manufacturing, service, retail trade, and construction sectors. As such, the service occupations represented the largest employment segment within the county, accounting for 33 percent of all employed persons. Manufacturing positions were the second most prevalent source of employment in 2000, representing 24 percent of all employed persons, followed by the construction and retail trade sectors at 15 and 12 percent, respectively.

Table 5.9: Employment by Industry (2000)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
Agriculture and Mining	7	63
Percent	1.8%	1.0%
Construction	46	998
Percent	11.8%	15.3%
Manufacturing	114	1,558
Percent	29.2%	24.0%
Transportation and Public Utilities	13	205
Percent	3.3%	3.2%
Wholesale Trade	2	137
Percent	0.5%	2.1%
Retail Trade	64	754
Percent	16.4%	11.6%
Finance, Insurance, & Real Estate	16	361
Percent	4.1%	5.5%
Services	108	2,138
Percent	27.7%	32.9%
Public Administration	20	291
Percent	5.1%	4.5%
SOURCE: Table DP-3 - U.S. Census Bureau, Census 2000, U.S. Census Bureau		

According to commuting patterns from the 1990 U.S. Census (this detailed information is not yet available for 2000), the vast majority of county residents (85 percent) were employed inside of the county, while 3 percent were employed in neighboring Habersham County to the south and another 3 percent in North Carolina to the north. This somewhat small percentage of county residents commuting to North Carolina is somewhat surprising considering its location along its border.

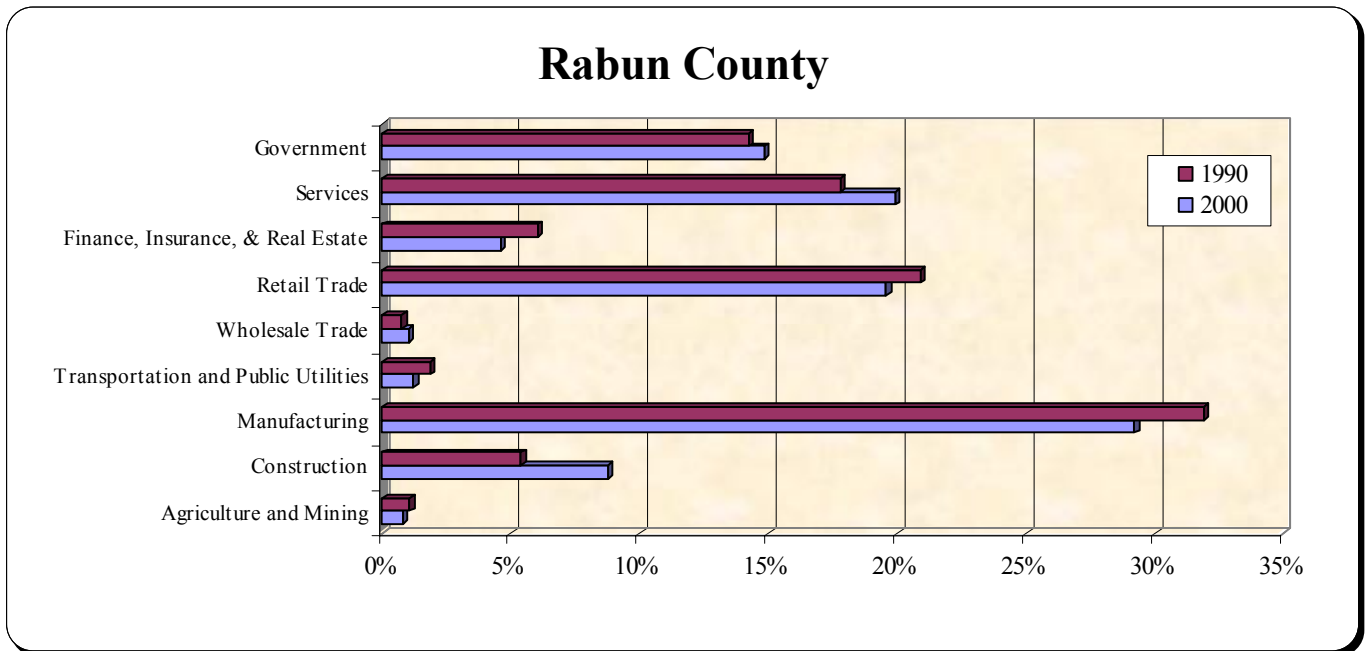
Table 5.10: Employment by Place of Work (1990)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
Place of Work within County	270	4,591
Percent	86.0%	85.1%
Place of Work Outside of County	27	588
Percent	8.6%	10.9%
Place of Work Outside of State	17	218
Percent	5.4%	4.0%
SOURCE: 1990 Census of Population and Housing, STF 3A, U.S. Census Bureau		

Utilizing information contained in the Rabun County Area Labor Profile published by the Georgia Department of Labor (which is based on 1990 Census data), 80 percent of persons that worked within Rabun County in 1990 actually lived within the county. The two other most significant sources of employees for local businesses include persons residing in North Carolina (representing 10 percent of the county's workforce) and Habersham County (2 percent). The limited housing availability locally is also a contributing factor to the somewhat higher percentage of employees living in North Carolina.

ES-202 employment data in the following figure obtained from the U.S. Bureau of Labor Statistics illustrates employment trends within Rabun County during the past decade. As can be seen, the employment distribution between 1990 and 2000 remained fairly consistent. Overall, the manufacturing sector represented 29 percent of all employed persons in 2000 – slightly lower than its 1990 representation of 32 percent (a net increase of 32 percent during this time span, however). Next are the retail trade and service sectors, each representing 20 percent of employment in 2000.

Figure One: Employment Distribution by Industry – 1990 vs. 2000



The major employers in Rabun County are listed in the following table. As is common in the Southeast, a number of the largest entries are engaged in segments of the textile sector. Two of the largest five are engaged in this type of production. The other larger employers are either in educational services or retail.

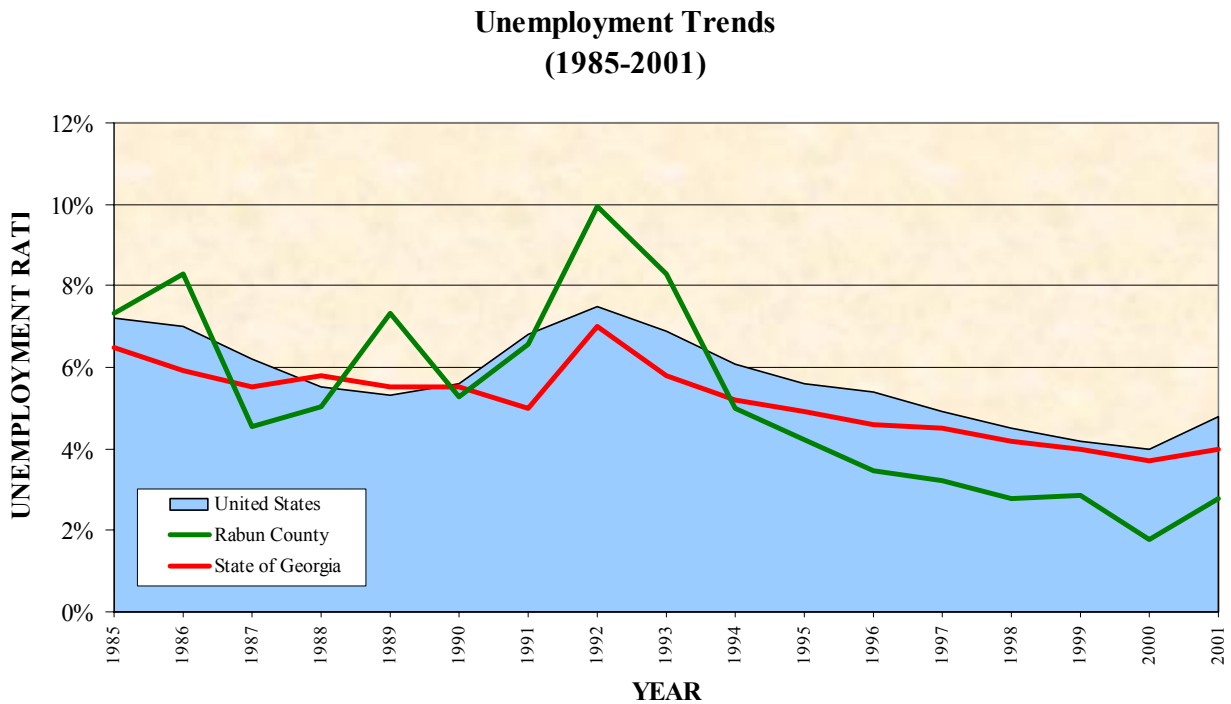
Employer	Product	Employees	Distance from Site
Rabun Apparel	Finishing	1,050	3 miles north
Rabun County School System	Education	504	Scattered
National Textiles	Spinning	430	3 miles north
Wal-Mart	Retail	320	5 miles south
Rabun County Memorial Hospital	Health Care	150	1 mile south
Don'L Inc.	Athletic Sportswear	144	1 mile south
Reeves Hardware	Hardware/Building Supply	105	Scattered
Lakemont Mfg.	Sportswear	44	12 miles south
AID Corporation	Aircraft Components	42	1 mile south
GMI Mfg.	Precision Fabrication	42	--
Georgia Power Co.	Power Utility	39	1 mile south
Gordon Mills Mfg.	Bedroom Slippers	16	Less than one mile
Rabun Metal Products	Stamping/Fabrication	15	9 miles south
Alltel	Telephone Utility	12	1 mile south
Vulcan Materials	Rock Quarry	11	3 miles south

Overall, economic conditions have been relatively positive throughout Rabun County over the past 10 years, with sustained job creation since 1992. Additionally, the annual unemployment rate has been below both the state and national averages since 1994. Information obtained from the Georgia Department of Labor is presented in the following figures and clearly illustrates these employment patterns throughout the county. In excess of 1,800 jobs (a 33 percent increase) have been added to the county since 1990, resulting in low unemployment rates over this period - and have been below 3 percent since 1997. Although the number of employed persons decreased slightly between 2000 and 2001 due to an economic slowdown, the unemployment rate remained extremely low at 2.8 percent. As of April 2002, the unemployment rate was reported at 2.7 percent (as compared to 3.5 percent for April 2001), remaining substantially below the state average (4.2 percent) and national average (5.7 percent).

Figure Two: Area Employment Growth – Rabun County



Figure Three: Unemployment Rate Comparison



Based on information from Randy Dilliot, the Economic Development Officer for Rabun County, the three largest local manufacturers have mentioned a desire to expand operations. Rabun Apparel, National Textiles, and Don'L, Inc. all reported that business was brisk. Coupled with the relatively low unemployment rate since 1994, economic patterns appear to be positive. However, most positions are typically in the lower paying categories, reflective of the county's generally lower prevailing average incomes.

Table 5.11: Employment Trends (1985 to Present)

	<i>Rabun County</i>				<i>State of Georgia</i>	<i>United States</i>
<i>Year</i>	<i>Labor Force</i>	<i>Number Employed</i>	<i>Annual Change</i>	<i>Unemployment Rate</i>	<i>Unemployment Rate</i>	<i>Unemployment Rate</i>
1985	5,576	5,168	5,168	7.3%	6.5%	7.2%
1986	5,818	5,335	167	8.3%	5.9%	7.0%
1987	6,004	5,730	395	4.6%	5.5%	6.2%
1988	6,383	6,061	331	5.0%	5.8%	5.5%
1989	6,365	5,899	(162)	7.3%	5.5%	5.3%
1990	5,789	5,484	(415)	5.3%	5.5%	5.6%
1991	5,655	5,283	(201)	6.6%	5.0%	6.8%
1992	5,660	5,097	(186)	9.9%	7.0%	7.5%
1993	6,078	5,574	477	8.3%	5.8%	6.9%
1994	6,536	6,209	635	5.0%	5.2%	6.1%
1995	6,826	6,538	329	4.2%	4.9%	5.6%
1996	6,765	6,531	(7)	3.5%	4.6%	5.4%
1997	7,046	6,818	287	3.2%	4.5%	4.9%
1998	7,047	6,852	34	2.8%	4.2%	4.5%
1999	7,270	7,062	210	2.9%	4.0%	4.2%
2000	7,708	7,572	510	1.8%	3.7%	4.0%
2001	7,375	7,169	(403)	2.8%	4.0%	4.8%
Apr-02	7,504	7,302	133	2.7%	4.2%	5.7%

	<u><i>Number</i></u>	<u><i>Percent</i></u>
Change (1985-1990):	316	6.1%
Change (1990-1995):	1,054	19.2%
Change (1995-2000):	1,034	15.8%
Change (1990-Present):	1,818	33.2%

Income Trends

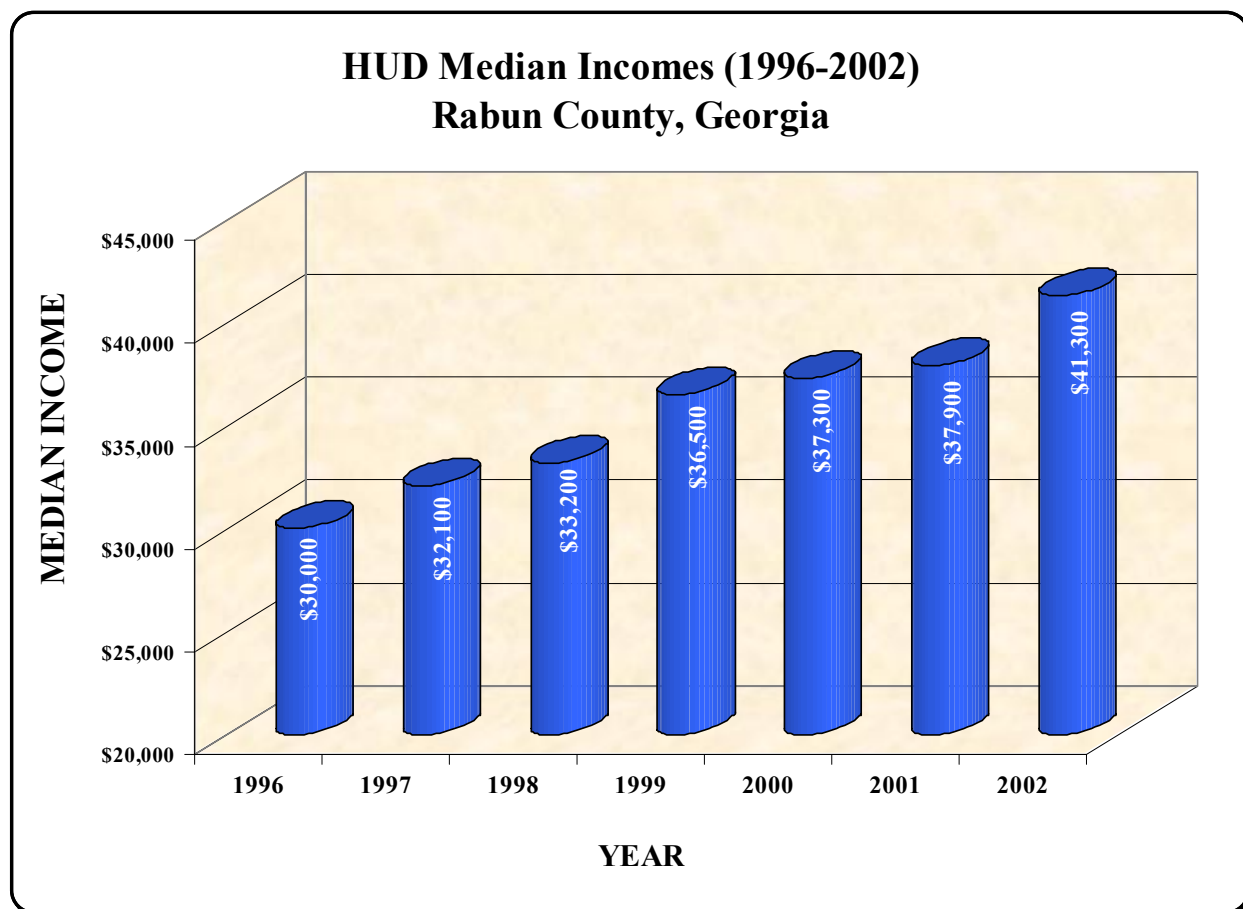
Median household income levels throughout the Mountain City PMA have experienced gains generally above the rate of inflation since 1980. The median household income for Mountain City (as reported within 2000 Census Table DP-3) was \$24,531 in 1999, while Rabun County had a median household income of \$33,899. This figure for the county represents an increase of 60 percent from 1989, and an average annual increase of 4.8 percent for the decade, while Mountain City had an average annual increase of 3.6 percent during the 1990's. In comparison to the median household income for the state of Georgia (\$42,433), incomes within Mountain City and Rabun County were 42 percent and 20 percent lower than the state average, respectively. As can be seen, the region is much less affluent than other areas of the state.

Table 5.12: Median Household Incomes (1979 to 2007)

	<u>Town of Mountain City</u> \$12,000	<u>Rabun County</u> \$11,522
1979 Median Income		
1989 Median Income	\$17,171	\$21,177
Total percent change (1979 to 1989)	43.1%	83.8%
Annual percent change (1979 to 1989)	3.6%	6.3%
1999 Estimated Median Income	\$24,531	\$33,899
Total percent change (1989 to 1999)	42.9%	60.1%
Annual percent change (1989 to 1999)	3.6%	4.8%
2002 Estimated Median Income	\$30,452	\$38,698
Total percent change (1999 to 2002)	24.1%	14.2%
Annual percent change (1999 to 2002)	7.5%	4.5%
2004 Estimated Median Income	\$34,399	\$41,898
Total percent change (1999 to 2004)	40.2%	23.6%
Annual percent change (1999 to 2004)	7.0%	4.3%
2007 Forecast Median Income	\$40,320	\$46,697
Total percent change (1999 to 2007)	64.4%	37.8%
Annual percent change (1999 to 2007)	6.4%	4.1%
SOURCE: 1980 - 2000 Census of Population and Housing, STF 3A/SF 3, U.S. Census Bureau; Claritas		

Increases in median income for Rabun County during the latter part of the 1990's, as measured by HUD, are similar to income appreciation between 1990 and 2000 reported within the U.S. Census. According to HUD median income trends, the average annual increase was 5.5 percent for the county between 1996 and 2002, and increased by 4.8 percent annually between 1989 and 1999 based on Census figures. The most recent HUD estimates indicate the county's median income has slowed considerably between 1999 and 2001, but increased by 9 percent between 2001 and 2002. Considering stable on-going local and regional economic conditions, further increases in HUD Area Median Income levels are anticipated to continue in the near future.

Figure Four: HUD Median Income Trends



Income-Qualified Population

The key income range for the tax credit portion of the proposed facility is approximately \$9,260 to \$29,375 (in current dollars), while the targeted income range for the market rate units is \$29,000 to \$50,000. Utilizing the most recent income distribution from the 2000 U.S. Census, the \$10,000 to \$30,000 income range accounts for a sizeable number of low- and moderate-income households throughout the area. Approximately 31 percent of all households within the county fall within the LIHTC income criteria, while 38 percent of Mountain City itself is within this range. Considering market rate eligible households, 26 percent of the county and 30 percent of the town have incomes between \$30,000 and \$50,000.

Table 5.13: Household Income Distribution (1999)

	<u>Town of Mountain City</u>	<u>Rabun County</u>
Less than \$10,000	63	724
Percent of 1999 Households	17.1%	11.5%
\$10,000 to \$14,999	31	447
Percent of 1999 Households	8.4%	7.1%
\$15,000 to \$24,999	93	981
Percent of 1999 Households	25.3%	15.6%
\$25,000 to \$34,999	34	1,094
Percent of 1999 Households	9.2%	17.3%
\$35,000 to \$49,999	95	1,115
Percent of 1999 Households	25.8%	17.7%
\$50,000 to \$74,999	29	1,098
Percent of 1999 Households	7.9%	17.4%
\$75,000 to \$99,999	8	409
Percent of 1999 Households	2.2%	6.5%
More than \$100,000	15	439
Percent of 1999 Households	4.1%	7.0%
SOURCE: 2000 Census of Population and Housing, U.S. Census Bureau, Summary Table DP-3		

Section 6: DEMAND ANALYSIS

Demand for Tax Credit Rental Units

Overall population and household projections are illustrated in the following table, along with demand forecasts for the subject proposal across all applicable income bands and bedroom types. Demand estimates are measured from three key sources: household growth, existing renter households, and substandard housing. Households that are rent-overburdened have been omitted from the following demand forecasts to reduce double counting as well as to keep a conservative focus.

All demand sources will be income-qualified, based on the targeting plan of the subject proposal and current LIHTC income restrictions, as published by the Georgia DCA. For the subject proposal, demand calculations will be based on the starting LIHTC rental rate, a 35 percent rent-to-income ratio, and an income ceiling of \$29,375 (the 6-person income limit at 60 percent AMI for Rabun County). As a result, the LIHTC income-eligibility range is \$9,260 to \$29,375, while the estimated income-eligibility range for the market rate portion of the proposal is \$29,000 to \$50,000.

By applying the qualified income range, overall 2000 household distribution, and household forecasts to the recently released U.S. Census income data, the number of income-qualified households can be calculated. Based on U.S. Census data and projections from Claritas, a total of 86 new renter households are estimated between 2000 and 2004. By applying the income-qualified percentage (31 percent within the PMA) to this figure, as well as factoring in the appropriate renter household range (2 persons or more), a total demand of 17 LIHTC units can be calculated as a result of new rental household growth.

The second source of demand is from existing renter households in 2000. Based on a total of 1,287 rental households reported within the PMA (which equals 21 percent of all households), and by applying the appropriate income-qualified and household size percentage, a total demand of 255 units has been determined from existing renter households.

Lastly, utilizing Census data on substandard rental housing, it is estimated that approximately 8 percent of all renter households within the Mountain City PMA could be considered substandard, either by virtue of overcrowding (a greater than 1-to-1 ratio of persons to rooms) or incomplete plumbing facilities (a unit that lacks at least a sink, bathtub, or toilet). Applying this percentage, along with the renter propensity and income-qualified percentage, to the number of households currently present in 2000 (the base year utilized within the demand calculations), a total demand resulting from substandard units is calculated at 20 within the PMA.

Combining all sources yields a total demand of 292 additional units for the subject proposal. Calculations for market rate units, by individual income group, and by bedroom type are also provided using the same methodology. However, because obvious overlap exists among these income ranges and bedroom sizes, the most accurate measurement of *total* LIHTC demand is the overall figure.

No comparable LIHTC rental projects have entered the market or have received funding within the Mountain City PMA since 1999. Therefore, no units need to be deducted from the demand factors listed previously.

It is worth noting at this time that these demand calculations do not consider that the construction of a new rental facility typically generates interest above movership ratios typically observed. In this case, a new rental housing option for low and moderate-income households should receive a positive response due to high occupancy levels within existing rental options, the limited number of non-subsidized three-bedroom units, and its spacious unit sizes. The demand forecasts represent the minimum demand potential for the proposed facility. Other demand-related considerations include ongoing positive economic conditions within Rabun County, which would have an obvious impact on the demand for rental housing.

Table 6.1: Demand Calculation – by AMI (2004)

2000 Total Occupied Households	6,279				
2000 Owner-Occupied Households	4,992				
2000 Renter-Occupied Households	1,287				
		<u>30%</u>	<u>50%</u>	<u>60%</u>	<u>Total</u>
		<u>AMI</u>	<u>AMI</u>	<u>AMI</u>	<u>LIHTC</u>
					<u>Market</u>
					<u>Rate</u>
DEMAND FROM NEW HOUSEHOLD GROWTH					
Renter Household Growth, 2000-2004	86	86	86	86	86
Percent Income Qualified Renter Households	2.8%	14.1%	13.1%	31.1%	28.1%
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	63.7%
Total Demand From New Households	2	8	7	17	15
DEMAND FROM EXISTING RENTER HOUSEHOLDS-2000					
Percent Renter Households in 2000	20.5%	20.5%	20.5%	20.5%	20.5%
Percent Income Qualified Renter Households	2.8%	14.1%	13.1%	31.1%	28.1%
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	63.7%
Total Demand From Existing Renter Households	23	115	108	255	230
Percent Renters in Substandard Housing	7.8%	7.8%	7.8%	7.8%	7.8%
Percent Income Qualified Renter Households	2.8%	14.1%	13.1%	31.1%	28.1%
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	63.7%
Total Demand From Substandard Renter Households	2	9	8	20	18
Total Demand From Existing Renter Households	25	124	116	275	230
TOTAL DEMAND	27	132	123	292	246
LESS: Total Comparable Units Constructed Since 1999	0	0	0	0	0
LESS: Total Comparable Units Proposed/Under Construction	0	0	0	0	0
TOTAL NET DEMAND	27	132	123	292	246
PROPOSED NUMBER OF UNITS	5	34	18	57	7
CAPTURE RATE	18.8%	25.8%	14.6%	19.5%	2.8%

Note: Totals may not sum due to rounding

Table 6.2: Demand Calculation – by Bedroom (2004)

2000 Total Occupied Households	6,279				
2000 Owner-Occupied Households	4,992				
2000 Renter-Occupied Households	1,287				
		<u>2BR</u>	<u>3BR</u>	<u>4BR</u>	<u>Total</u>
		<u>Units</u>	<u>Units</u>	<u>Units</u>	<u>LIHTC</u>
DEMAND FROM NEW HOUSEHOLD GROWTH					
Renter Household Growth, 2000-2004	86	86	86	86	
Percent Income Qualified Renter Households	14.1%	13.4%	15.5%	31.1%	
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	
Total Demand From New Households	8	7	8	17	
DEMAND FROM EXISTING RENTER HOUSEHOLDS-2000					
Percent Renter Households in 2000	20.5%	20.5%	20.5%	20.5%	
Percent Income Qualified Renter Households	14.1%	13.4%	15.5%	31.1%	
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	
Total Demand From Existing Renter Households	116	110	127	255	
Percent of Renters in Substandard Housing	7.8%	7.8%	7.8%	7.8%	
Percent Income Qualified Renter Households	14.1%	13.4%	15.5%	31.1%	
Percent within Appropriate Household Size	63.7%	63.7%	63.7%	63.7%	
Total Demand From Substandard Renter Households	9	9	10	20	
Total Demand From Existing Households	125	118	137	275	
TOTAL DEMAND	133	126	145	292	
LESS: Total Comparable Units Constructed Since 1999	0	0	0	0	
LESS: Total Comparable Units Proposed/Under Construction	0	0	0	0	
TOTAL NET DEMAND	133	126	145	292	
PROPOSED NUMBER OF UNITS	26	23	8	57	
CAPTURE RATE	19.6%	18.3%	5.5%	19.5%	
Note: Totals may not sum due to rounding					

Capture and Absorption Rates

From the LIHTC demand calculations, capture rates provide an indication of the percentage of annual income-qualified demand necessary for the subject property. Lower capture rates indicate generally deeper markets, thus reducing risk and hastening potential absorption periods.

An overall capture rate of 19.5 percent was determined for LIHTC units based on the demand calculation (including renter household growth, existing renter households, substandard units, and excluding any comparable rental activity since 1999), providing an indication of the subject proposal's statistical market depth within the Mountain City PMA.

Therefore, taking into consideration current market conditions within the Mountain City PMA, the absorption rate is calculated at approximately seven to nine units per month on average, resulting in an overall absorption period of eight months.

Section 7: SUPPLY ANALYSIS

Mountain City Rental Market Characteristics

A survey of existing rental projects within the Mountain City PMA (most of which were situated in Clayton) was completed by Community Research Group in May/June 2002. A total of 7 rental complexes (including one senior-only development) within the area were contacted and questioned for information such as current rental rates, amenities, and vacancy levels. General survey results for the overall rental market are described below and are presented on the following pages, providing an indication of overall market conditions throughout the area.

Of the developments contacted, a total of 247 units were reviewed. The overall unit mix among the facilities providing a breakdown include 11 percent efficiency units, 50 percent one-bedroom units, 27 percent two-bedroom units, 10 percent three-bedroom units, and 3 percent four-bedroom units. The average year of construction for the facilities was 1983 – averaging roughly 19 years old, and indicative of a somewhat aged rental stock. Two of the developments contacted were constructed in 1980 or earlier, and three have been constructed since 1990 with the most recent facility developed in 1995 (Laurel Falls Apartments).

Just over ½ of the developments (4 projects) reported to contain some kind of income restrictions. Of these, none were tax credit, one was a RHS 515 project (with 100 percent Rental Assistance), and three were Public Housing.

At first glance, occupancy levels discovered during our survey reveal a somewhat volatile rental market, with a wide disparity between subsidized and market rate developments. While all four subsidized facilities reported full occupancy, 20 out of the 113 market rate units were reported to be vacant at the time of our call, resulting in a market rate occupancy level of just 82 percent. Combining all seven developments, the overall occupancy rate for the Mountain City PMA was calculated at 92 percent. However, it appears that the number of vacant units may be inflated somewhat based on additional information gathered from the site evaluation and discussions with local officials and other rental properties.

Detailed survey results are illustrated in tables on the following pages. Overall, the average rent for a one-bedroom unit was calculated at \$400 per month, with an average size of 700 square feet – resulting in an average rent per square foot ratio of \$0.57. The average rent for a two-bedroom unit was \$488 with an average size calculated at 963 square feet, resulting in average rent per square foot ratio of \$0.51. Just one development reported to have non-subsidized three-bedrooms in its unit mix, with a rent of \$600 and unit size of 1,050 square feet (\$0.57 per square foot)

Amenity packages offered at area developments, in terms of selection and features, are more or less the reflection of construction date and level of subsidy available. As such, the most common amenities found within the market include central air conditioning (100 percent), laundry hook-ups (100 percent), patio/balcony (100 percent), coin-operated laundry (71 percent), and mini-blinds (71 percent). The subject property will contain numerous modern amenities that are simply not available within the local rental market. These include clubhouse, dishwasher, exercise room, garbage disposal, and walk-in closet, and will undoubtedly aid in the marketability of the subject proposal.

As previously mentioned, there are no tax credit properties within the Mountain City market area at the present time. The most comparable rental properties to the subject include Laurel Falls Apartments, Mountain View Apartments, and Stave Mill Apartments – all situated within Clayton, between 3 and 4 miles south of the site. Of these three projects, the only one to report stable occupancy rates was **Mountain View Apartments**. Mountain View is a 16-unit market rate development that was constructed in 1992, consisting entirely of two-bedroom units. Rental rates ranged between \$475 and \$525, with unit sizes between 900 and 1,000 square feet. The project is arguably the most appealing of the three in terms of location and general appearance. Based on survey results, low turnover was reported with no vacancies. A waiting list of two or three persons was also mentioned.

The remaining two comparable developments reported to have severe occupancy problems, although additional information gathered contradicts the actual level of the problem. They are both are owned by the same entity, and each reported occupancy rates of 80 percent or

lower. **Laurel Falls Apartments** is the newest rental property in the PMA, and was constructed in 1995. Consisting of 32 units, management would not provide a unit mix but did give rental rates for efficiency, one-bedroom, and two-bedroom units. Although the project is in good condition, seven vacancies were reported resulting in an occupancy rate of just 78 percent. One explanation that may contribute to this lower occupancy is its poor location with no visibility from even a secondary roadway. The facility is situated behind a church in a densely wooded area, and is extremely difficult to find. The other project is **Stave Mill Apartments**, the largest project in the PMA at 65 units, which consists of efficiency, one, two, and three-bedroom units (a breakdown also was not provided). Management reported a minimum of 13 vacancies, resulting in an occupancy rate of 80 percent. It is situated south of downtown Clayton just west of U.S. 23/441 is good, and among the best locations in the market. However, the actual condition of the facility is fair at best, and in need of maintenance in many areas.

Upon further investigations, it appears that the occupancy rates given may be inflated. No obvious vacancy issues within these two properties were observed during the site evaluation. While explanations can be rationalized as to why vacancy problems would exist within these developments (primarily due to the poor location of Laurel Falls and the poor condition of Stave Mill), discussions with local officials indicate that management may have inflated vacancy levels to discourage the construction of the proposed development. Several contradictions in responses to questions asked occurred over the course of three separate phone calls to the owners of the properties, thereby making their information highly questionable. Upon further discussions with local officials, it was uncovered that the owners of these properties own an adjacent parcel to the subject property and are attempting to “kill the deal” so they can purchase the property and build a development of their own. The owners even made a comment about the possibility of constructing a rental development in Mountain City, which is contrary to the “70 to 80 percent occupancy rates” in their other properties that they are reporting. Additional comments by three separate local persons regarding the owners of these properties indicate that they are “slum lords”, “manage their projects very poorly”, and that “it’s common that people would live as far as 20 miles away before they would live in one of their units.”

From a market standpoint, it is apparent that adequate demand is present for additional rental units within the Mountain City PMA targeted for single and family occupancy. Despite a reported occupancy rate of just 82 percent within market rate projects, the PMA has an overall occupancy rate of 92 percent. Because rational explanations exist for the reported vacancies, coupled with the positive economic and demographic patterns exhibited by the area, it is unlikely that additional units would contribute or create a vacancy problem within the local market. Information from a previous market study reinforces this fact, as they reported occupancy rates of 97 percent or better within both developments.

According to local government officials, no comparable larger multi-family activity (outside of the subject proposal) is currently under construction or proposed.

Please note that information on Black Rock Mountain Apartments in Mountain City could not be obtained after repeated attempts. Upon visual inspection, the development is in extremely poor condition. Several cars in the parking lot (which was not paved) had flat tires or on blocks, while litter was strewn about the property. A photograph is included in the comparable section.

Table 7.1: Rental Housing Survey

Project	Year	Total Units	Eff	1BR	2BR	3BR	4BR	Heat Included	Source	Electric Included	Overall % Occupancy
BROOKSLANE APTS (SR)	1993	36	0	35	1	0	0	No	ELE	No	100%
DUCKETT APTS	1956	22	0	3	8	8	3	No	ELE	No	100%
DUNLAP APTS	1984	37	0	20	12	4	1	No	ELE	No	100%
LAUREL FALLS APTS	1995	32	0	0	0	0	0	No	ELE	No	78%
MOUNTAINVIEW APTS	1992	16	0	0	16	0	0	No	ELE	No	100%
SHADY SIDE APTS	1978	39	16	17	3	3	0	No	ELE	No	100%
STAVE MILL APTS	1984	65	0	0	0	0	0	Yes	ELE	Yes	80%
Totals & Averages	1983	247	16	75	40	15	4				91.9%

Subject Project											
SEQUOYAH VILLAGE	2004	64	0	0	26	30	8	No	ELE	No	

Table 7.2: Rent Range for 1 & 2 Bedrooms

Project	Subsidized	1 BR Rent	1 BR SQ. FT	1 BR Rent/SQ. FT	2 BR Rent	2 BR SQ. FT	2 BR Rent/SQ. FT
BROOKSLANE APTS	Yes						
DUCKETT APTS	Yes						
DUNLAP APTS	Yes						
LAUREL FALLS APTS	No	\$400	700		\$500	950	\$0.53
MOUNTAINVIEW APTS	No				\$475	900 1,100	\$0.53 \$0.48
SHADY SIDE APTS	Yes						
STAVE MILL APTS	No	\$400	700		\$450	900	\$0.50
Totals & Average		\$400	700	\$0.57	\$488	963	\$0.51
Subject Project							
SEQUOYAH VILLAGE	No				\$178	878	\$0.20 \$0.41

Table 7.3: Rent Range for 3 & 4 Bedrooms

Project	Program	3 BR Rent	3 BR SQ. FT	3 BR Rent/SQ. FT	4 BR	4 BR SQ. FT	4 BR Rent/SQ. FT
BROOKSLANE APTS	RHS 515						
DUCKETT APTS	PUB HSG						
DUNLAP APTS	PUB HSG						
LAUREL FALLS APTS							
MOUNTAINVIEW APTS							
SHADY SIDE APTS	PUB HSG						
STAVE MILL APTS		\$600	1,050	\$0.57			
Totals & Averages		\$600	1,050	\$0.57			
Subject Project							
SEQUOYAH VILLAGE	LIHTC	\$461	1,104	\$0.36	\$436	1,372	\$0.32
		\$610	1,104	\$0.55	\$552	1,372	\$0.40

Table 7.4: Project Amenities

	Central Air	Club House	Coin Op Laundry	Dish Washer	Exercise Room	Garbage Disposal	Individual Entry	Laundry Hookup	Mini Blinds	Patio/ Balcony	Play ground	Walk-in Closet
BROOKSLANE APTS	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	No	Yes
DUCKETT APTS	Yes	No	No	No	No	No	Yes	Yes	No	Yes	No	No
DUNLAP APTS	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No
LAUREL FALLS APTS	Yes	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	No
MOUNTAINVIEW APTS	Yes	No	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No
SHADY SIDE APTS	Yes	No	Yes	No	No	No	Yes	Yes	No	Yes	Yes	No
STAVE MILL APTS	Yes	No	Yes	No	No	No	Yes	Yes	Yes	Yes	No	No
Totals & Averages	100%	0%	71%	29%	0%	0%	100%	100%	71%	100%	43%	14%
Subject Project												
SEQUOYAH VILLAGE	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes

Table 7.5: Additional Comparable Information

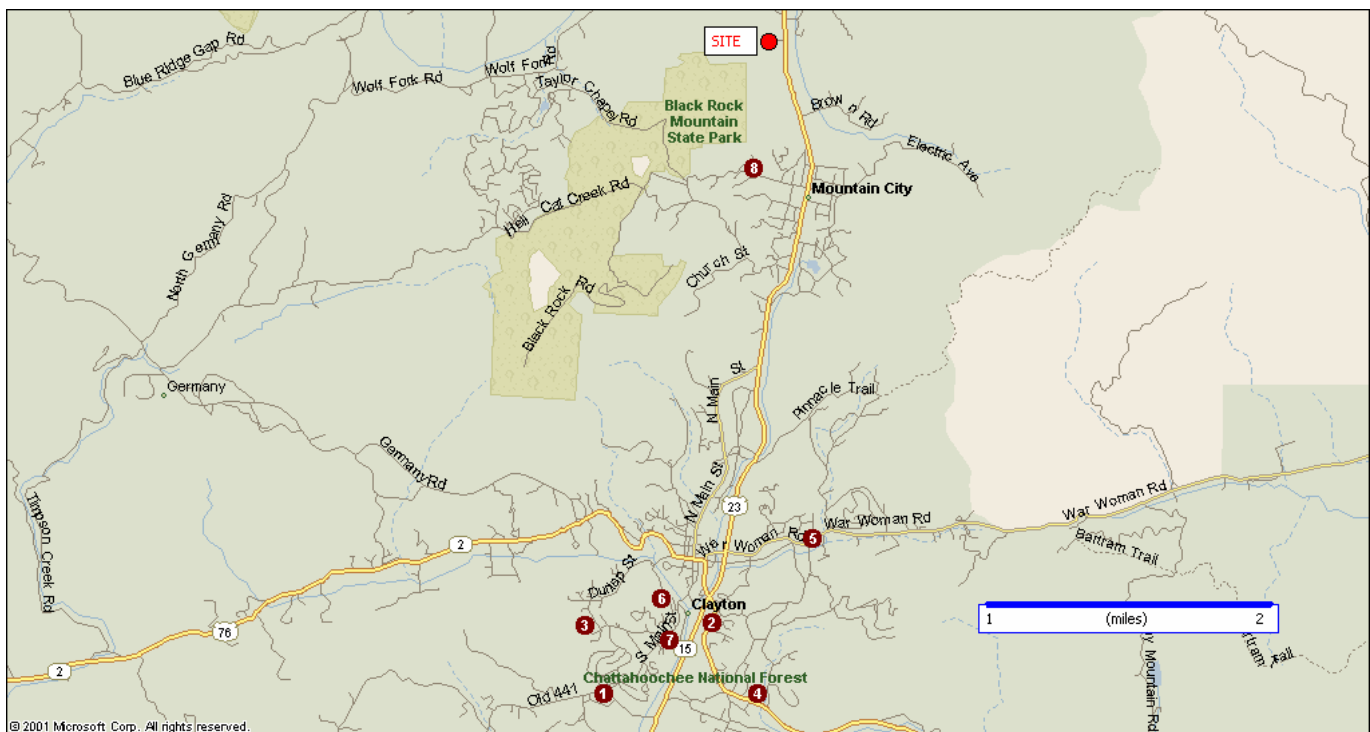
Project	Phone	Contact	Condition	Turnover	Subsidy	Concessions	Other
BLACK ROCK MTN APTS	706-782-1425	NA	Poor	NA	NA	NA	Very poor exterior condition
BROOKSLANE APTS	706-782-4194	Dale	Good	Low	100 percent	None	Senior project; small wait list
DUCKETT APTS	706-782-6467	Madge	Fair	Low	100 percent	None	1-3 month wait list
DUNLAP APTS	706-782-6767	Madge	Fair	Low	100 percent	None	1-3 month wait list
LAUREL FALLS APTS	706-782-4633	Emily	Good	High	None	NA	No wait list
MOUNTAINVIEW APTS	706-754-9000	Steve	Good	Low	None	None	2-3 people on wait list
SHADY SIDE APTS	706-782-6467	Madge	Fair	Low	100 percent	None	1-3 month wait list
STAVE MILL APTS	706-782-4633	Emily	Fair	High	None	NA	No wait list

Comparable/nearby Rental Projects – Mountain City PMA

Following are individual descriptions of three rental developments within the Mountain City area most comparable based on rental rates and/or proximity to the subject property. Information on these developments provides a more detailed picture of the comparable properties facing the development of the proposed Sequoyah Village.

Map: Local Rental Developments

Mountain City PMA



- | | | |
|---------------------------|-----------------------------|------------------------------|
| 1. Brooks Lane Apts – RHS | 2. Duckett Apts – Pub Hsg | 3. Dunlap Apts – Pub Hsg |
| 4. Laurel Falls Apts | 5. Mountain View Apts | 6. Shady Side Apts – Pub Hsg |
| 7. Stave Mill Apts | 8. Black Rock Mountain Apts | |



Project Name: **LAUREL FALLS APTS**
 Address: Jaguar Lane
 Phone: (706) 782-7633

Year Built: 1995
 City: Clayton State: GA
 Zip: 30525

<i>Unit Type</i>	<i># of Units</i>	<i># Vacant</i>	<i>Square Feet</i>	<i>Rental Rate</i>	<i>Occupancy %</i>
EFF	NA	Yes	NA	\$375	NA
1BR	NA	Yes	NA	\$400	NA
2BR	NA	Yes	NA	\$500	NA
Total	32	7			78%

<i>Appliances*</i>		<i>Project*</i>		<i>Unit*</i>		<i>Other Information*</i>	
Refrigerator/Stove	X	Coin Op Laundry	X	Draperies		Heat Included	No
Garbage Disposal		Clubhouse		Mini-blinds	X	Electricity Included	No
Dishwasher	X	Swimming Pool		Walk-in Closet		Heat Type	ELE
Microwave		Playground		Fireplace			
Laundry Hook-up	X	Tennis Court		Patio/Balcony	X	# of Floors	
In-Unit Laundry		Basketball Court		Central Air	X		
		Carport		Wall AC Unit		Percent Senior	NA
		Garage		Storage		Subsidized	None
		Elevator		Individual Entry	X		

*NOTE: Amenities may be incomplete – manager was not cooperative.



Project Name: **MOUNTAIN VIEW APTS**

Address: 330 Rose Circle

Phone: (706) 754-9000

Year Built: 1992

City: Clayton

Zip: 30525

State: GA

<i>Unit Type</i>	<i># of Units</i>	<i># Vacant</i>	<i>Square Feet</i>	<i>Rental Rate</i>	<i>Occupancy %</i>
1BR	0	--	--	---	---
2BR	16	0	900-1,100	\$475-\$525	100%
3BR	0	--	--	---	---
Total	16	0			100%

<i>Appliances</i>		<i>Project</i>		<i>Unit</i>		<i>Other Information</i>	
Refrigerator/Stove	X	Coin Op Laundry		Draperies		Heat Included	No
Garbage Disposal		Clubhouse		Mini-blinds	X	Electricity Included	No
Dishwasher	X	Swimming Pool		Walk-in Closet		Heat Type	ELE
Microwave		Playground	X	Fireplace			
Laundry Hook-up	X	Tennis Court		Patio/Balcony	X	# of Floors	2
In-Unit Laundry		Basketball Court		Central Air	X		
		Carport		Wall AC Unit		Percent Senior	NA
		Garage		Storage		Subsidized	None
		Elevator		Individual Entry	X		



Project Name: **STAVE HILL APTS**
 Address: 607 Old U.S. 441 South
 Phone: (706) 782-4633

Year Built: 1984
 City: Clayton State: GA
 Zip: 30525

<i>Unit Type</i>	<i># of Units</i>	<i># Vacant</i>	<i>Square Feet</i>	<i>Rental Rate</i>	<i>Occupancy %</i>
EFF	NA	NA	NA	\$350	NA
1BR	NA	NA	NA	\$400	NA
2BR	NA	NA	NA	\$450	NA
3BR	NA	NA	NA	\$600	NA
Total	65	13			80%

<i>Appliances*</i>		<i>Project*</i>		<i>Unit*</i>		<i>Other Information*</i>	
Refrigerator/Stove	X	Coin Op Laundry	X	Draperies		Heat Included	Yes
Garbage Disposal		Clubhouse		Mini-blinds	X	Electricity Included	Yes
Dishwasher		Swimming Pool		Walk-in Closet		Heat Type	ELE
Microwave		Playground		Fireplace			
Laundry Hook-up	X	Tennis Court		Patio/Balcony	X	# of Floors	2
In-Unit Laundry	X	Basketball Court		Central Air	X		
		Carport		Wall AC Unit		Percent Senior	NA
		Garage		Storage		Subsidized	None
		Elevator		Individual Entry	X		

*NOTE: Amenities may be incomplete – manager was not cooperative.

Following is a photograph of **Black Rock Mountain Apartments**, representing the only rental development located within Mountain City and the closest in proximity to the subject property (1¼ miles southwest). Information on this development could not be obtained after repeated attempts from various sources. It should be noted that the exterior appearance was in extremely poor condition, several cars in the parking lot (which was not paved) had flat tires or on blocks, and litter was strewn about the property.



Project Name: **BLACK ROCK MTN APTS**
Address: 393 Black Rock Mountain Pkwy
Phone: (706) 782-1425

Year Built: N/A
City: Mountain City State: GA
Zip:

Section 8: INTERVIEWS

Throughout the course of performing this analysis of the Mountain City/Rabun County rental market, many individuals were contacted. Based on discussions with town and county planning officials, no comparable multi-family rental considerations (other than the subject) are present. In conversations with the owners of Laurel Falls and Stave Mill Apartments, it was stated that “there is no need for more housing here.....there are already too many vacancies.” He could not provide a reason to his occupancy dilemma, outside of the feeling “that September 11th had something to do with it, because that’s when the bottom fell out for us.” Additionally, the leasing agent for Mountain View Apartments indicated they have no real opinion of the market, other than that they remain full most of the time. No other leasing agent could provide a comment on the general state of the local rental market.

Upon further discussions with local officials, it was uncovered that the owners of Laurel Falls and Stave Mills Apartments own an adjacent parcel to the subject property and may be attempting to dissuade its construction so they can purchase the property and build a development of their own. The owners even made a comment about the possibility of constructing a rental development in Mountain City, which is contrary to the “70 to 80 percent occupancy rates” in their other properties that they are reporting. Additional comments by three separate local persons regarding the owners of these properties indicate that they are “slum lords”, “manage their projects very poorly”, and that “it’s common that people would live as far as 20 miles away before they would live in one of their units.” Data from a previous market study submitted with the application which also questions the validity of the reported occupancy rates. In this study, both developments were at 97 percent occupied or better in March 2002.

Randy Dilliot (economic director for Rabun County) and Rhonda Lunsford (President of the Chamber of Commerce) both stressed the need for affordable housing options for low and moderate income households. Because most of the county consists of federal and state owned property, developable land is becoming increasingly scarce which is driving up property values. Both mentioned that this is the best thing that could happen to the area by creating affordable units. Additionally, Mr. Dilliot noted that the two largest employers have stated on several occasions that employees cannot find housing in the immediate area, making it more difficult to

recruit quality employees.

Additional informal interviews with leasing agents and resident managers within the local rental market were performed as part of Community Research Group's survey of existing rental housing to collect more specific data. The results of these are compiled and presented within a previous section of the market study.

Section 9: CONCLUSIONS AND RECOMMENDATIONS

Based on the information collected within this study, sufficient evidence has been introduced for the successful development and absorption of the subject proposal for the Mountain City PMA. Ongoing positive economic trends, strong demographic patterns, and a strong statistical demand all support the development of the subject proposal as a combination tax credit/market rate rental facility targeted for households with low and moderate incomes. Assuming the subject proposal is developed as described within this analysis, Community Research Group can provide a positive recommendation for the facility with no reservations or conditions. As such, CRG forwards a **FULL PASS** conclusion.

According to information within a market study prepared for the sponsor of the subject proposal, and provided by the DCA, it appears that the rental market was strong in March 2002 – contrary to comments given by the owners of Laurel Falls and Stave Mills Apartments. In that report, these two projects had occupancy rates of 97 percent and 99 percent respectively, although the owner we spoke to indicated that its occupancy problems began in September 2001.

Section 10: SIGNED STATEMENT REQUIREMENTS

I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in DCA's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent upon this project being funded.



Steven R. Shaw
COMMUNITY RESEARCH GROUP, LLC

Date: June 19, 2002

Section 11: BIBLIOGRAPHY

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- Rabun County Area Labor Profile – Georgia Department of Labor
- Local economic and housing information – Rabun County Chamber of Commerce
- Interviews with managers and leasing specialists, local rental developments
- Interviews with town and county planning officials

Section 12: RESUME

STEVEN R. SHAW COMMUNITY RESEARCH GROUP, LLC

Mr. Shaw is the co-founder of Community Research Group, LLC. With over eleven years of experience in market research, he has assisted a broad range of clients, including developers, government agencies, non-profit organizations, and financial institutions, with the development of numerous types of housing alternatives throughout the United States. Areas of expertise include market study preparation, pre-feasibility analysis, strategic targeting and market identification, customized survey and focus group research, and demographic and economic analysis. Previous to Community Research, he most recently served as a market consultant for Community Targeting Associates (1997-1999) providing the same types of services.

Mr. Shaw also served as the manager of automotive analysis for J.D. Power and Associates (1992-1997), a global automotive market research firm based in Troy, Michigan. While serving in this capacity, Mr. Shaw was responsible for identifying market trends and analyzing the automotive sector through proprietary and syndicated analytic reports. During his five-year tenure at J.D. Power, Mr. Shaw developed a strong background in quantitative and qualitative research measurement techniques through the use of mail and phone surveys, focus group interviews, and demographic and psychographic analysis.

Previous to J.D. Power, Mr. Shaw was employed as Senior Market Research Analyst with Target Market Systems (the market research branch of First Centrum Corporation) in East Lansing, Michigan. At TMS, his activities consisted largely of market study preparation for projects financed through RHS and MSHDA programs. Other key duties included the strategic targeting and identification of new areas for multi-family and single-family housing development throughout the Midwest.

A 1991 graduate of Michigan State University, Steve graduated with a Bachelor of Arts degree in Marketing with an emphasis in Market Research, while also earning an additional major in Psychology. Mr. Shaw is a member of the Michigan Housing Council, and also a charter member of the National Council of Affordable Housing Market Analysts.